

HYRUM CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2005

**HYRUM CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2005**

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council Members
Hyrum City Corporation
Hyrum City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hyrum City Corporation, Utah (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary Capital Project Fund statement and nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2005, on our consideration of Hyrum City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wiggins & Co., PC

Brigham City, Utah

November 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hyrum City, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2005. The General Fund includes governmental activities such as administration, fire and first responder services, police protection, roads, parks, senior citizen center, library, etc. The Enterprise Funds comprise utilities of water, sewer, electric and pressurized irrigation.

Financial Highlights

The total net assets of Hyrum City Corporation decreased by \$2,721, totaling \$23,370,505. The governmental activities' net assets decreased by \$42,866 and the business-type activities' net assets increased by \$40,145.

The total net assets of Hyrum City Corporation is \$23,370,505, and is made up of \$17,665,763 in capital assets (net of related debt) such as land, infrastructure, buildings and improvements and machinery and equipment. The remaining net assets total \$5,704,742. Of this amount, \$4,437,529 is unrestricted. The remaining \$1,267,213 is restricted for such items as debt service reserves, capital projects, public safety, impact fees, cemetery upkeep and improvements, senior citizens and library projects.

Total long-term liabilities of the City decreased by \$192,000. The only long-term debt the City has incurred is for the acquisition of land in the Sewer Fund and the construction of a new sewer plant, also recorded in the Sewer Fund. The total outstanding long-term debt of the City at June 30, 2005, was \$4,058,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Hyrum City Corporation's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds---These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities reported in the Statement of Net Assets and the Statement of Activities and the governmental funds in a reconciliation included with the fund financial statements.

The City reports two governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The two major funds reported are the General Fund and the Capital Project Fund. The remaining governmental fund is the Library Special Revenue Fund and this fund is reported as a nonmajor fund in the fund financial statements.

Proprietary Funds---The City maintains four enterprise funds which are proprietary in nature. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Culinary Water, Sewer, Electric, and Pressurized Irrigation utilities. Each utility is reported as a separate enterprise fund. As determined by generally accepted accounting principles, these utility funds meet the criteria for major fund classification.

Fiduciary Funds---These funds are used to account for resources held for the benefit of parties outside the City. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting method used for these funds is much like that used for proprietary funds. The City has only one fiduciary fund that is reported in the financial statements, the Justice Court Agency Fund.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For Hyrum City Corporation, assets exceeded liabilities by \$23,370,505 at June 30, 2005.

By far the largest portion of the City's net assets (76%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that is outstanding at year end. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the operations of the funds wherein the capital assets are recorded, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the net assets of the City is as follows:

Governmental Activities:

	2005	2004	Total Changes
Current and other assets	\$ 1,170,527	\$ 1,644,669	\$ (474,142)
Capital assets	4,964,695	4,532,081	432,614
Total assets	<u>6,135,222</u>	<u>6,176,750</u>	<u>(41,528)</u>
Current and other liabilities	592,226	590,888	1,338
Long-term liabilities	-	-	-
Total liabilities	<u>592,226</u>	<u>590,888</u>	<u>1,338</u>
Net assets:			
Invested in capital assets, net			
of related debt	4,964,695	4,532,081	432,614
Restricted	670,200	1,094,529	(424,329)
Unrestricted	(91,899)	(40,748)	(51,151)
Total net assets	<u>\$ 5,542,996</u>	<u>\$ 5,585,862</u>	<u>\$ (42,866)</u>

Business-type activities:

	2005	2004	Total Changes
Current and other assets	\$ 6,015,302	\$ 9,391,235	\$ (3,375,933)
Capital assets	16,759,068	13,281,605	3,477,463
Total assets	<u>22,774,370</u>	<u>22,672,840</u>	<u>101,530</u>
Current and other liabilities	888,861	635,476	253,385
Long-term liabilities	4,058,000	4,250,000	(192,000)
Total liabilities	<u>4,946,861</u>	<u>4,885,476</u>	<u>61,385</u>
Net assets:			
Invested in capital assets, net			
of related debt	12,701,068	9,031,605	3,669,463
Restricted	597,013	4,645,617	(4,048,604)
Unrestricted	4,529,428	4,110,142	419,286
Total net assets	<u>\$ 17,827,509</u>	<u>\$ 17,787,364</u>	<u>\$ 40,145</u>

The City's total net assets decreased by \$2,721 as summarized below:

Governmental Activities:

	<u>2005</u>	<u>2004</u>	<u>Total Changes</u>
Revenues:			
Program revenues:			
Charges for services	\$ 698,736	\$ 667,679	\$ 31,057
Operating grants and contributions	270,594	499,849	(229,255)
Capital grants and contributions	108,208	306,399	(198,191)
General revenues:			
Property taxes	219,711	219,643	68
Sales taxes	594,690	546,534	48,156
Energy taxes	290,514	268,590	21,924
Franchise taxes	30,508	17,149	13,359
Unrestricted investment earnings	5,688	21,940	(16,252)
Gain on sale of fixed assets	-	-	-
Transfers	230,000	200,000	30,000
Total revenues	<u>2,448,649</u>	<u>2,747,783</u>	<u>(299,134)</u>
Expenses:			
Legislative	32,263	32,903	(640)
Judicial	87,360	62,959	24,401
Administration	324,934	335,781	(10,847)
Public safety	360,477	428,011	(67,534)
Highways and streets	487,587	258,559	229,028
Sanitation	347,651	330,068	17,583
Planning, zoning and engineering	119,553	110,958	8,595
Culture, parks and recreation	516,034	357,696	158,338
Shop	52,866	66,580	(13,714)
Senior citizens	92,074	95,160	(3,086)
Cemetery	40,348	71,738	(31,390)
Community progress	30,368	19,581	10,787
Total expenses	<u>2,491,515</u>	<u>2,169,994</u>	<u>321,521</u>
Change in net assets	<u>\$ (42,866)</u>	<u>\$ 577,789</u>	<u>\$ (620,655)</u>

Business-type activities:

Revenues:			
Program revenues:			
Charges for services	\$ 5,916,594	\$ 5,703,380	\$ 213,214
Operating grants and contributions	-	-	-
Capital grants and contributions	94,513	157,969	(63,456)
General revenues:			
Unrestricted investment earnings	140,941	131,331	9,610
Gain on sale of fixed assets	4,385	-	4,385
Transfers	(230,000)	(200,000)	(30,000)
Total revenues	<u>5,926,433</u>	<u>5,792,680</u>	<u>133,753</u>
Expenses:			
Water	732,209	614,329	117,880
Sewer	746,173	586,937	159,236
Electric	4,101,482	3,777,312	324,170
Irrigation	306,424	306,617	(193)
Total expenses	<u>5,886,288</u>	<u>5,285,195</u>	<u>601,093</u>
Change in net assets	<u>\$ 40,145</u>	<u>\$ 507,485</u>	<u>\$ (467,340)</u>

The change in the City's assets is mainly due to the use of current assets to construct or acquire capital assets. The increase in liabilities is mainly due to an increase in supplier payables and construction retainage payables.

The City continues to invest in infrastructure facilities such as roads, sidewalks and parks. This is the primary reason for the increase in expenses. The decrease in operating grants and contributions is due to the formation of the Hyrum Library and Museum Foundation, which received the contributions for the new library facility in 2005. The decrease in capital grants and contributions is primarily due to a sidewalk grant that was received in 2004.

The increase in utility revenue is primarily due to increases in sewer and electric usage. Personnel costs increased 8% in 2005. Repairs and maintenance expenses increased 42%, primarily due to increased maintenance on the water and sewer systems. The cost of power in the electric fund increased 9%, or \$268,108, in 2005.

Fund Financial Analysis

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At June 30, 2005, the City's governmental funds (General, Capital Projects and Special Revenue Library) reported combined fund balances of \$726,844. This represents a decrease of \$471,064 during fiscal year 2005.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state statutes or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 53.6% of total General Fund revenues. The largest element of taxes is sales tax, representing 52.4% of total tax revenue and 28% of total General Fund revenues.

As stated earlier, the City maintains several Enterprise Funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government wide financial statements. However, the fund statements provide much more detail. See pages 16-19 of the financial report for this information.

Budgetary Highlights

During the year, the budgets of each fund were established and then amended to account for increases in revenue and expenses. Primarily the revenue changes were to bring revenues for energy taxes and intergovernmental grants into line with the year end revenue projections. Expenses were changed to account for personnel cost increases, repairs and maintenance increases and construction projects.

Capital Asset and Debt Administration

The City's investment in capital assets for all activities at June 30, 2005, amounted to \$39,978,283. Accumulated depreciation on capital assets was \$18,254,520. Net capital assets amounted to \$21,723,763 at June 30, 2005. The investment in capital assets includes land, buildings and systems, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.), and machinery and equipment. The total increase in the City's investment in capital assets during 2005 was \$5,117,850. Depreciation expense for 2005 was \$1,207,773, with \$381,996 recorded in governmental activities and \$825,777 recorded in business-type activities.

Major capital asset increases during 2005 are as follows:

Roads, streets and sidewalks
 Water system improvements
 Construction on the new sewer plant
 Acquisition of water shares

A comparison of the capital assets of the City is as follows:

Governmental activities:

	<u>2005</u>	<u>2004</u>	<u>Total Changes</u>
Land	\$ 410,447	\$ 410,447	\$ -
Buildings	1,823,777	1,814,602	9,175
Improvements	990,226	981,794	8,432
Infrastructure	5,029,597	4,494,562	535,035
Machinery & equipment	1,529,928	1,493,011	36,917
Construction in progress	<u>262,576</u>	<u>57,667</u>	<u>204,909</u>
	10,046,551	9,252,083	794,468
Less: accumulated depreciation	<u>(5,081,856)</u>	<u>(4,720,002)</u>	<u>(361,854)</u>
Total capital assets-governmental activities	<u>\$ 4,964,695</u>	<u>\$ 4,532,081</u>	<u>\$ 432,614</u>

Business-type activities:

Land	\$ 1,595,931	\$ 1,532,781	\$ 63,150
Water stock and rights	\$ 1,101,877	1,024,377	77,500
Buildings	3,061,698	3,061,698	-
Improvements	18,272,128	17,601,214	670,914
Machinery & equipment	1,063,541	802,579	260,962
Construction in progress	<u>4,836,557</u>	<u>1,585,701</u>	<u>3,250,856</u>
	29,931,732	25,608,350	4,323,382
Less: accumulated depreciation	<u>(13,172,664)</u>	<u>(12,326,745)</u>	<u>(845,919)</u>
Total capital assets-business-type activities	<u>\$ 16,759,068</u>	<u>\$ 13,281,605</u>	<u>\$ 3,477,463</u>

Additional information on the City's capital assets can be found in the notes to the financial statements in this financial report.

The City had total outstanding long-term debt as of June 30, 2005, of \$4,058,000.

The detail of the long-term debt accounts is as follows:

Business-type activities:

	<u>2005</u>	<u>2004</u>	<u>Total changes</u>
Sewer Revenue Bonds Payable	\$ 4,033,000	\$ 4,220,000	\$ (187,000)
Sewer Note Payable	<u>25,000</u>	<u>30,000</u>	<u>(5,000)</u>
Total Long-term Debt	<u>\$ 4,058,000</u>	<u>\$ 4,250,000</u>	<u>\$ (192,000)</u>

Additional information on the City's long-term debt can be found in the notes to the financial statements in this financial report.

HYRUM CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 514,136	\$ 1,443,513	\$ 1,957,649	\$ 549,970
Investments	-	3,055,257	3,055,257	-
Receivables:				
Taxes	6,786	-	6,786	-
Accounts	140,024	609,776	749,800	-
Intergovernmental	49,300	-	49,300	-
Restricted cash and cash equivalents	457,460	597,013	1,054,473	-
Restricted investments	-	-	-	-
Inventory	-	224,293	224,293	-
Prepaid expenses	2,821	61,286	64,107	-
Deferred charges: bond issuance costs	-	24,164	24,164	-
Capital assets (net of accumulated depreciation):				
Land and easements	410,447	1,595,931	2,006,378	-
Water stock and rights	-	1,101,877	1,101,877	-
Buildings	581,241	943,756	1,524,997	-
Improvements	243,285	7,911,378	8,154,663	-
Machinery and equipment	536,885	369,569	906,454	-
Infrastructure	2,930,261	-	2,930,261	-
Construction in progress	262,576	4,836,557	5,099,133	-
Total Assets	6,135,222	22,774,370	28,909,592	549,970
LIABILITIES				
Accounts payable	302,432	510,578	813,010	-
Accrued liabilities	10,321	-	10,321	-
Deposits and retainage payable	130,930	182,713	313,643	-
Accrued interest payable	-	22,983	22,983	-
Compensated absences	148,543	172,587	321,130	-
Noncurrent liabilities - due within one year	-	193,000	193,000	-
Noncurrent liabilities - due in more than one year	-	3,865,000	3,865,000	-
Total Liabilities	592,226	4,946,861	5,539,087	-
NET ASSETS				
Investment in capital assets, net of debt	4,964,695	12,701,068	17,665,763	-
Restricted for:				
Impact fees	346,453	121,258	467,711	-
Culture, parks and recreation	12,736	-	12,736	-
Public safety	51,484	-	51,484	-
Cemetery	33,429	-	33,429	-
Debt service	-	374,805	374,805	-
Senior citizens	12,922	-	12,922	-
Capital projects	213,176	100,950	314,126	-
Unrestricted	(91,899)	4,529,428	4,437,529	549,970
Total Net Assets	\$ 5,542,996	\$ 17,827,509	\$ 23,370,505	\$ 549,970

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
PRIMARY GOVERNMENT								
Governmental activities:								
Legislative	\$ 32,263	\$ -	\$ -	\$ -	\$ (32,263)	\$ -	\$ (32,263)	\$ -
Judicial	87,360	143,833	-	-	56,473	-	56,473	-
Administration	324,934	73,769	17,056	-	(234,109)	-	(234,109)	-
Public safety	360,477	33,824	27,571	-	(299,082)	-	(299,082)	-
Highways and streets	487,587	462	222,262	23,725	(241,138)	-	(241,138)	-
Sanitation	347,651	389,598	-	-	41,947	-	41,947	-
Planning, zoning and engineering	119,553	4,885	-	-	(114,668)	-	(114,668)	-
Culture, parks and recreation	516,034	32,894	3,705	84,483	(394,952)	-	(394,952)	-
Shop	52,866	-	-	-	(52,866)	-	(52,866)	-
Senior citizens	92,074	-	-	-	(92,074)	-	(92,074)	-
Cemetery	40,348	17,375	-	-	(22,973)	-	(22,973)	-
Community progress	30,368	2,096	-	-	(28,272)	-	(28,272)	-
Total governmental activities	2,491,515	698,736	270,594	108,208	(1,413,977)	-	(1,413,977)	-
Business-type activities:								
Water	732,209	755,447	-	19,792	-	43,030	43,030	-
Sewer	746,173	721,731	-	50,243	-	25,801	25,801	-
Electric	4,101,482	4,213,226	-	-	-	111,744	111,744	-
Irrigation	306,424	226,190	-	24,478	-	(55,756)	(55,756)	-
Total business-type activities	5,886,288	5,916,594	-	94,513	-	124,819	124,819	-
Total primary government	\$ 8,377,803	\$ 6,615,330	\$ 270,594	\$ 202,721	(1,413,977)	124,819	(1,289,158)	-
COMPONENT UNIT								
Hyrum Library & Museum	\$ 9	\$ -	\$ -	\$ 541,406				541,397
General revenues								
Property taxes					219,711	-	219,711	-
Sales taxes					594,690	-	594,690	-
Energy tax					290,514	-	290,514	-
Franchise tax					30,508	-	30,508	-
Grants and contributions not restricted to specific programs					-	-	-	-
Unrestricted investment earnings					5,688	140,941	146,629	8,573
Gain on sale of capital assets					-	4,385	4,385	-
Transfers					230,000	(230,000)	-	-
Total general revenues and transfers					1,371,111	(84,674)	1,286,437	8,573
Change in net assets					(42,866)	40,145	(2,721)	549,970
Net assets - beginning, as restated					5,585,862	17,787,364	23,373,226	-
Net assets - ending					\$ 5,542,996	\$ 17,827,509	\$ 23,370,505	\$ 549,970

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 297,067	\$ 213,176	\$ 3,893	\$ 514,136
Receivables:				
Taxes	6,786	-	-	6,786
Accounts	140,024	-	-	140,024
Intergovernmental	49,300	-	-	49,300
Prepaid expenses	2,821	-	-	2,821
Restricted cash and cash equivalents	457,460	-	-	457,460
Restricted investments	-	-	-	-
Total assets	<u>\$ 953,458</u>	<u>\$ 213,176</u>	<u>\$ 3,893</u>	<u>\$ 1,170,527</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 302,432	\$ -	\$ -	\$ 302,432
Accrued payroll liabilities	10,321	-	-	10,321
Contracts and deposits payable	130,930	-	-	130,930
Deferred revenue	-	-	-	-
Total liabilities	<u>443,683</u>	<u>-</u>	<u>-</u>	<u>443,683</u>
Fund balances				
Reserved for library	8,235	-	-	8,235
Reserved for impact fees	346,453	-	-	346,453
Unreserved:				
Designated	102,771	-	3,888	106,659
Undesignated	<u>52,316</u>	<u>213,176</u>	<u>5</u>	<u>265,497</u>
Total fund balances	<u>509,775</u>	<u>213,176</u>	<u>3,893</u>	<u>726,844</u>
Total liabilities and fund balances	<u>\$ 953,458</u>	<u>\$ 213,176</u>	<u>\$ 3,893</u>	<u>\$ 1,170,527</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET ASSETS
JUNE 30, 2005

Total fund balances-governmental funds \$ 726,844

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$ 410,447	
Buildings	1,823,777	
Improvements	990,226	
Machinery and equipment	1,529,928	
Infrastructure	5,029,598	
Construction in progress	262,576	
Accumulated depreciation	<u>(5,081,857)</u>	
Total capital assets		4,964,695

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	<u>(148,543)</u>	
Total liabilities		<u>(148,543)</u>

Total net assets-governmental funds		<u><u>\$ 5,542,996</u></u>
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The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 219,711	\$ -	\$ -	\$ 219,711
Sales	594,690	-	-	594,690
Energy	290,514	-	-	290,514
Franchise	30,508	-	-	30,508
Licenses and permits	31,986	-	-	31,986
Intergovernmental	249,833	-	3,700	253,533
Charges for services	499,465	6,000	-	505,465
Fines	143,833	-	-	143,833
Miscellaneous	17,428	-	-	17,428
Contributions	34,548	-	5	34,553
Investment earnings	5,196	491	-	5,687
Total revenues	<u>2,117,712</u>	<u>6,491</u>	<u>3,705</u>	<u>2,127,908</u>
EXPENDITURES				
Current:				
Legislative	32,263	-	-	32,263
Judicial	85,173	-	-	85,173
Administration	271,141	-	-	271,141
Public safety	345,087	-	-	345,087
Highways and streets	508,387	329,570	-	837,957
Sanitation	347,651	-	-	347,651
Planning, zoning and engineering	121,432	-	-	121,432
Culture, parks and recreation	494,190	186,184	3,106	683,480
Shop	34,386	-	-	34,386
Senior citizens	77,102	619	-	77,721
Cemetery	90,527	-	-	90,527
Community progress	30,368	-	-	30,368
Total expenditures	<u>2,437,707</u>	<u>516,373</u>	<u>3,106</u>	<u>2,957,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(319,995)</u>	<u>(509,882)</u>	<u>599</u>	<u>(829,278)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	230,000	431,019	-	661,019
Transfers out	(431,019)	-	-	(431,019)
Proceeds from sale of fixed assets	37,498	-	-	37,498
Impact fees	90,716	-	-	90,716
Total other financing sources and uses	<u>(72,805)</u>	<u>431,019</u>	<u>-</u>	<u>358,214</u>
Net change in fund balances	<u>(392,800)</u>	<u>(78,863)</u>	<u>599</u>	<u>(471,064)</u>
Fund balances - beginning	902,575	292,039	3,294	1,197,908
Fund balances - ending	<u>\$ 509,775</u>	<u>\$ 213,176</u>	<u>\$ 3,893</u>	<u>\$ 726,844</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$ (471,064)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$852,083) exceeded depreciation (\$381,996) during the period.	470,087
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The liability for compensated absences is not recorded in the governmental funds, but is reported in the statement of assets. This is the current year change in the liability, reported as expense in the statement of activities.	(4,416)
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In the fund statements, proceeds from sale of fixed assets are recorded as revenue, but in the statement of activities only the gain is recognized as revenue.	<div style="border-top: 1px solid black; display: inline-block;">(37,473)</div>
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (42,866)</div>
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The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 218,700	\$ 218,700	\$ 219,711	\$ 1,011
Sales	554,713	605,000	594,690	(10,310)
Energy	260,000	260,000	290,514	30,514
Franchise	16,500	33,700	30,508	(3,192)
Licenses and permits	27,500	29,400	31,986	2,586
Intergovernmental	317,062	307,012	249,833	(57,179)
Charges for services	495,000	492,760	499,465	6,705
Fines	113,500	137,300	143,833	6,533
Miscellaneous	7,500	11,525	17,428	5,903
Contributions	45,000	26,000	34,548	8,548
Investment earnings	10,600	5,000	5,196	196
Total revenues	<u>2,066,075</u>	<u>2,126,397</u>	<u>2,117,712</u>	<u>(8,685)</u>
EXPENDITURES				
Current:				
General government:				
Legislative	34,250	33,250	32,263	987
Judicial	73,000	93,000	85,173	7,827
Administration	277,150	283,650	271,141	12,509
Public safety	370,400	362,800	345,087	17,713
Highways and streets	395,550	510,550	508,387	2,163
Sanitation	338,000	351,000	347,651	3,349
Planning, zoning and engineering	139,850	137,850	121,432	16,418
Culture, parks and recreation	419,675	438,175	494,190	(56,015)
Shop	38,100	35,100	34,386	714
Senior citizens	82,600	86,600	77,102	9,498
Cemetery	97,700	98,700	90,527	8,173
Community progress	30,250	35,250	30,368	4,882
Total expenditures	<u>2,296,525</u>	<u>2,465,925</u>	<u>2,437,707</u>	<u>28,218</u>
Excess of revenues over expenditures	<u>(230,450)</u>	<u>(339,528)</u>	<u>(319,995)</u>	<u>19,533</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	230,000	230,000	230,000	-
Transfers out	-	(431,019)	(431,019)	-
Proceeds from sale of fixed assets	1,000	-	37,498	37,498
Impact fees	40,600	76,150	90,716	14,566
Total other financing sources and uses	<u>271,600</u>	<u>(124,869)</u>	<u>(72,805)</u>	<u>52,064</u>
Net change in fund balances	<u>41,150</u>	<u>(464,397)</u>	<u>(392,800)</u>	<u>71,597</u>
Fund balances - beginning	902,575	902,575	902,575	-
Fund balances - ending	<u>\$ 943,725</u>	<u>\$ 438,178</u>	<u>\$ 509,775</u>	<u>\$ 71,597</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Major Enterprise Funds				Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 130,977	\$ 795,716	\$ 119,747	\$ 397,073	\$ 1,443,513
Investments	1,700,000	555,257	800,000	-	3,055,257
Receivables:					
Accounts	84,088	84,239	414,553	26,896	609,776
Inventory	16,470	-	203,879	3,944	224,293
Prepaid expenses	2,250	3,000	56,036	-	61,286
Total current assets	1,933,785	1,438,212	1,594,215	427,913	5,394,125
Noncurrent assets:					
Restricted cash and cash equivalents:					
Revenue bond covenant accounts	-	374,805	-	-	374,805
System development	74,103	148,105	-	-	222,208
Deferred charges: bond issuance costs	-	24,164	-	-	24,164
Capital assets:					
Land and easements	23,411	585,937	900,199	86,384	1,595,931
Water stock and rights	-	-	-	1,101,877	1,101,877
Buildings	194,726	2,514,979	351,993	-	3,061,698
Improvements other than buildings	5,796,404	3,056,239	4,594,698	4,824,787	18,272,128
Machinery and equipment	407,296	267,579	388,666	-	1,063,541
Construction in progress	95,241	4,569,357	137,632	34,327	4,836,557
Accumulated depreciation	(3,603,370)	(4,502,086)	(3,217,180)	(1,850,028)	(13,172,664)
Total noncurrent assets	2,987,811	7,039,079	3,156,008	4,197,347	17,380,245
Total assets	4,921,596	8,477,291	4,750,223	4,625,260	22,774,370

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Major Enterprise Funds				Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	
LIABILITIES					
Current liabilities:					
Accounts payable	9,746	108,052	350,421	42,359	510,578
Deposits and retainage payable	-	114,588	68,125	-	182,713
Accrued payroll liabilities	-	-	-	-	-
Compensated absences	45,564	48,946	70,657	7,420	172,587
Total current liabilities	55,310	271,586	489,203	49,779	865,878
Current liabilities payable from restricted assets:					
Note payable	-	5,000	-	-	5,000
Revenue bonds payable	-	188,000	-	-	188,000
Accrued interest payable	-	22,983	-	-	22,983
Total current liabilities payable from restricted assets	-	215,983	-	-	215,983
Noncurrent liabilities:					
Deferred Revenue	-	-	-	-	-
Note payable	-	20,000	-	-	20,000
Revenue bonds payable	-	3,845,000	-	-	3,845,000
Total noncurrent liabilities	-	3,865,000	-	-	3,865,000
Total liabilities	55,310	4,352,569	489,203	49,779	4,946,861
NET ASSETS					
Invested in capital assets, net of related debt	2,913,708	2,434,005	3,156,008	4,197,347	12,701,068
Restricted for system development	-	100,950	-	-	100,950
Restricted for impact fees	74,103	47,155	-	-	121,258
Restricted for debt service	-	374,805	-	-	374,805
Unrestricted	1,878,475	1,167,807	1,105,012	378,134	4,529,428
Total net assets	\$ 4,866,286	\$ 4,124,722	\$ 4,261,020	\$ 4,575,481	\$ 17,827,509

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Major Enterprise Funds				Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	
Operating revenues:					
Charges for sales and services	\$ 755,447	\$ 709,426	\$ 4,213,226	226,190	\$ 5,904,289
Total operating revenues	<u>755,447</u>	<u>709,426</u>	<u>4,213,226</u>	<u>226,190</u>	<u>5,904,289</u>
Operating expenses:					
Personnel related expenses	202,434	185,101	382,068	44,265	813,868
System operating expenses, including power costs	87,533	167,493	3,406,698	71,893	3,733,617
Repairs and maintenance	170,242	113,122	150,159	25,088	458,611
Depreciation	271,999	226,042	162,558	165,178	825,777
Total operating expenses	<u>732,208</u>	<u>691,758</u>	<u>4,101,483</u>	<u>306,424</u>	<u>5,831,873</u>
Operating income	<u>23,239</u>	<u>17,668</u>	<u>111,743</u>	<u>(80,234)</u>	<u>72,416</u>
Nonoperating revenues (expenses):					
Impact fees	19,792	50,243	-	24,478	94,513
Rent	-	12,305	-	-	12,305
Investment earnings	51,256	53,934	24,636	11,116	140,942
Interest and fiscal charges	-	(54,416)	-	-	(54,416)
Gain (Loss) on sale of fixed assets	4,385	-	-	-	4,385
Total nonoperating revenue (expenses)	<u>75,433</u>	<u>62,066</u>	<u>24,636</u>	<u>35,594</u>	<u>197,729</u>
Income before contributions and transfers	<u>98,672</u>	<u>79,734</u>	<u>136,379</u>	<u>(44,640)</u>	<u>270,145</u>
Transfers in	-	-	-	-	-
Transfers out	(115,000)	-	(115,000)	-	(230,000)
Change in net assets	<u>(16,328)</u>	<u>79,734</u>	<u>21,379</u>	<u>(44,640)</u>	<u>40,145</u>
Total net assets - beginning, as restated	<u>4,882,614</u>	<u>4,044,988</u>	<u>4,239,641</u>	<u>4,620,121</u>	<u>17,787,364</u>
Total net assets - ending	<u>\$ 4,866,286</u>	<u>\$ 4,124,722</u>	<u>\$ 4,261,020</u>	<u>\$ 4,575,481</u>	<u>\$ 17,827,509</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Water Fund	Major Enterprise Funds Sewer Fund	Electric Fund	Irrigation Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 743,067	\$ 710,459	\$ 4,235,573	\$ 228,474	\$ 5,917,573
Payments to suppliers	(270,027)	(131,948)	(3,492,769)	(52,069)	(3,946,813)
Payments to employees	(194,992)	(172,451)	(376,112)	(40,771)	(784,326)
Other receipts	-	-	-	-	-
Other payments	-	-	-	-	-
Net cash provided by operating activities	<u>278,048</u>	<u>406,060</u>	<u>366,692</u>	<u>135,634</u>	<u>1,186,434</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Short-term loan (to) from other funds	-	-	-	-	-
Transfer out to other funds	(115,000)	-	(115,000)	-	(230,000)
Net cash (used) by noncapital financing activities	<u>(115,000)</u>	<u>-</u>	<u>(115,000)</u>	<u>-</u>	<u>(230,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(408,210)	(3,481,334)	(272,326)	(141,371)	(4,303,241)
Receipts from property rental	-	12,305	-	-	12,305
Receipts from impact fees	19,792	50,243	-	24,478	94,513
Receipts from sale of fixed assets	4,385	-	-	-	4,385
Payment on note payable	-	(5,000)	-	-	(5,000)
Payment on bonds payable	-	(187,000)	-	-	(187,000)
Interest paid on bonds and note	-	(57,859)	-	-	(57,859)
Net cash provided (used) from capital and related financing activities	<u>(384,033)</u>	<u>(3,668,645)</u>	<u>(272,326)</u>	<u>(116,893)</u>	<u>(4,441,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of investments	(139,392)	(86,554)	(311,795)	-	(537,741)
Interest received	51,256	53,934	24,636	11,116	140,942
Net cash provided (used) from investing activities	<u>(88,136)</u>	<u>(32,620)</u>	<u>(287,159)</u>	<u>11,116</u>	<u>(396,799)</u>
Net increase (decrease) in cash and cash equivalents	(309,121)	(3,295,205)	(307,793)	29,857	(3,882,262)
Cash and cash equivalents beginning of year	514,201	4,613,831	427,540	367,216	5,922,788
Cash and cash equivalents end of year	<u>\$ 205,080</u>	<u>\$ 1,318,626</u>	<u>\$ 119,747</u>	<u>\$ 397,073</u>	<u>\$ 2,040,526</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income	\$ 23,239	\$ 17,668	\$ 111,743	(80,234)	\$ 72,416
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	271,999	226,042	162,558	165,178	825,777
Change in assets and liabilities:					
Accounts receivable	(12,380)	1,033	22,347	2,284	13,284
Inventory	11,928	-	-	5,406	17,334
Prepaid expenses	-	(500)	-	-	(500)
Accounts payable	(24,180)	62,688	62,497	39,506	140,511
Deposits and retainage payable	-	86,479	1,591	-	88,070
Compensated absences	7,442	12,650	5,956	3,494	29,542
Net cash provided by (used in) operating activities	<u>\$ 278,048</u>	<u>\$ 406,060</u>	<u>\$ 366,692</u>	<u>\$ 135,634</u>	<u>\$ 1,186,434</u>

The accompanying notes are an integral part of these financial statements.

HYRUM CITY CORPORATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUSTICE COURT AGENCY FUND
JUNE 30, 2005

ASSETS

Cash and cash equivalents	\$ 19,087
Fines receivable	<u>90,040</u>
Total assets	<u>\$ 109,127</u>

LIABILITIES

Due to other governments	\$ 109,127
Total liabilities	<u>\$ 109,127</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and streets, water, sewer, electric, irrigation, sanitation, culture, parks, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Hyrum City Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds which collectively are referred to as the financial reporting entity of the City. As required by generally accepted accounting principles (GAAP), these financial statements present Hyrum City Corporation (referred to as the "primary government" for reporting purposes) and its "component unit" (separate legal entity for which the City is considered to be the financial beneficiary).

Discretely presented component units. Hyrum Library and Museum Foundation provides fundraising and other efforts toward the construction of a new library and museum. The Foundation is directed by a Board, which includes management personnel of the City. The Foundation does not issue separate financial statements, therefore, no financial accountability to other entities is made by the Foundation.

B. Government-wide and Fund Financial Statements

Government-wide Financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

Fund Financial Statements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining governmental fund is combined into a single column and reported as an other (nonmajor) fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. **Basis of accounting** relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquired capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days of year end, and therefore do not meet the "available" criterion, are not reported until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, energy taxes, and franchise taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The City reports the following major governmental funds:

General Fund—The General Fund accounts for all activities not accounted for by other funds of the City. The principal sources of revenue for this fund are taxes, charges for services, intergovernmental revenues and impact fees..

Capital Project Fund—The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of specific projects other than those financed by proprietary funds.

The City's nonmajor governmental fund is the Special Revenue Library Fund. This nonmajor special revenue fund accounts for specific revenue sources that are restricted to expenditures for specified library purposes.

Proprietary Fund Financial Statements. Proprietary Funds include enterprise funds. Enterprise Funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary Funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The City reports the following major proprietary funds:

Water Fund - the Water Fund is used to account for activity related to providing culinary water services.

Sewer Fund - the Sewer Fund is used to account for activity related to providing sewer services.

Electric Fund - the Electric Fund is used to account for activity related to providing electric services.

Irrigation Fund - the Irrigation Fund is used to account for activity related to providing pressurized irrigation services.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fiduciary Fund Financial Statements. The City has only one type of fiduciary fund. The Justice Court Agency Fund is used to account for assets held by the City justice court as an agent for other governments or individuals. Agency Funds are accounted for using accrual basis of accounting, but due to their custodial nature (assets equal liabilities), do not present results of operations or have a measurement focus.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within the General Fund; however, any transfer of budgeted amounts between departments within the General Fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the General Fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council prior to June 30. Individual amendments were not material in relation to the original appropriations which were amended.

E. Cash and Cash Equivalents

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Treasurer and City Administrator in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Investments are recorded at fair value based upon quoted market prices as of June 30, 2005, except where there is no material difference between cost and fair value. The difference between the purchase price and market price when material is recorded as investment income.

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

F. Interfund transactions

Interfund transactions represent transactions between different funds within the City. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Private-sector Standards of Accounting and Financial Reporting

The City generally applies to both the government-wide and proprietary fund statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB)*. The City has elected not to follow private-sector guidance subsequent to that date.

H. Capital Assets

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure (roads, bridges, lighting and sidewalks) and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$5,000; real property thresholds vary by type of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. Interest on assets being readied for service in proprietary funds may be capitalized. No interest was capitalized during 2005.

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20-40 years

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City pays 100% of these benefits to eligible employees upon termination or retirement. An estimate of the liability related to these benefits is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term Liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

L. Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. City property tax revenues are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

M. Inventories and Prepaid Items

Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis. Inventories are accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are included as prepaid items in both the government-wide and fund financial statements.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2. RECEIVABLES

Receivables at June 30, 2005, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General Fund receivables	\$ 6,786	\$ 49,300	\$ 140,394	\$ 196,480
General Fund bad debt reserve	-	-	(370)	(370)
Total receivables	<u>\$ 6,786</u>	<u>\$ 49,300</u>	<u>\$ 140,024</u>	<u>\$ 196,110</u>
Business-type activities:				
Water Fund	\$ -	\$ -	\$ 84,743	\$ 84,743
Sewer Fund	-	-	84,604	84,604
Electric Fund	-	-	417,963	417,963
Irrigation Fund	-	-	27,096	27,096
Less: bad debt reserve	-	-	(4,630)	(4,630)
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,776</u>	<u>\$ 609,776</u>

The bad debt reserve for the business-type activities is as follows: Water Fund \$655, Sewer Fund \$365, Electric Fund \$3,410, and Irrigation Fund \$200.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 410,447	\$ -	\$ -	\$ 410,447
Construction in progress	57,667	262,576	(57,667)	262,576
Total capital assets not being depreciated	<u>468,114</u>	<u>262,576</u>	<u>(57,667)</u>	<u>673,023</u>
Capital assets being depreciated:				
Buildings	1,814,602	9,175	-	1,823,777
Improvements	981,794	8,432	-	990,226
Machinery and equipment	1,493,011	94,532	(57,615)	1,529,928
Infrastructure	4,494,562	535,035	-	5,029,597
Total capital assets being depreciated	<u>8,783,969</u>	<u>647,174</u>	<u>(57,615)</u>	<u>9,373,528</u>
Less accumulated depreciation				
Buildings	(1,161,791)	(80,745)	-	(1,242,536)
Improvements	(709,187)	(37,754)	-	(746,941)
Machinery and equipment	(924,408)	(88,777)	20,142	(993,043)
Infrastructure	(1,924,616)	(174,720)	-	(2,099,336)
Total accumulated depreciation	<u>(4,720,002)</u>	<u>(381,996)</u>	<u>20,142</u>	<u>(5,081,856)</u>
Total capital assets being depreciated, net	<u>4,063,967</u>	<u>265,178</u>	<u>(37,473)</u>	<u>4,291,672</u>
Governmental activity capital assets, net	<u>\$ 4,532,081</u>	<u>\$ 527,754</u>	<u>\$ (95,140)</u>	<u>\$ 4,964,695</u>

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 3. CAPITAL ASSETS (Continued)

Business-type activities:

Capital assets not being depreciated:

Land and easements	\$ 1,532,781	\$ 63,150	\$ -	\$ 1,595,931
Water stock and rights	1,024,377	77,500	-	1,101,877
Construction in progress	1,585,701	3,434,250	(183,394)	4,836,557
Total assets not being depreciated	4,142,859	3,574,900	(183,394)	7,534,365

Capital assets being depreciated:

Buildings	3,061,698	-	-	3,061,698
Improvements	17,601,214	671,015	(101)	18,272,128
Machinery and equipment	802,579	260,962	-	1,063,541
Total capital assets being depreciated	21,465,491	931,977	(101)	22,397,367

Less accumulated depreciation

Buildings	(1,993,821)	(124,121)	-	(2,117,942)
Improvements	(9,730,721)	(630,029)	-	(10,360,750)
Machinery and equipment	(602,203)	(71,627)	(20,142)	(693,972)
Total accumulated depreciation	(12,326,745)	(825,777)	(20,142)	(13,172,664)

Total capital assets being depreciated, net	9,138,746	106,200	(20,243)	9,224,703
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Business-type capital assets, net	\$ 13,281,605	\$ 3,681,100	\$ (203,637)	\$ 16,759,068
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Depreciation expense was charged to functions as follows:

Governmental activities:

Administration	\$ 49,955
Culture, parks and recreation	59,867
Highways and streets	208,214
Cemetery	9,008
Shop	23,962
Public safety	15,390
Senior citizens	15,600
Total depreciation expense - governmental activities	\$ 381,996

Business-type activities:

Water	\$ 271,999
Sewer	226,042
Electric	162,558
Irrigation	165,178
Total depreciation expense - business-type activities	\$ 825,777

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4. RETIREMENT PLANS

Plan Description. The City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Noncontributory Retirement System for June 30, 2005, 2004, and 2003 were \$107,209, \$87,361, and \$70,347 respectively.

The City also sponsors a 401-K deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$8,924 to this plan during the year ended June 30, 2005, and the employees contributed \$26,797.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2005:

On June 27, 2000, the City entered into a trust deed note payable for the purchase of land on which to expand their sewer system. The note will be repaid from sewer fund sales. The note payable matures on January 15, 2010, with annual payments of \$5,000 plus interest at a rate of 10%. The following is a debt schedule over the remaining period of the note.

Year	Principal	Interest	Total	Interest Rate
2006	\$ 5,000	\$ 2,500	\$ 7,500	10%
2007	5,000	2,000	7,000	10%
2008	5,000	1,500	6,500	10%
2009	5,000	1,000	6,000	10%
2010	5,000	500	5,500	10%
	<u>\$ 25,000</u>	<u>\$ 7,500</u>	<u>\$ 32,500</u>	

In 2004, the City issued \$4,220,000 in Taxable Sewer Revenue Bonds, Series 2003, to finance the construction of a sewer system treatment plant. The bonds are to be repaid from sewer sales from the sewer utility fund. The bonds mature February 1, 2024, with annual payments varying from \$187,000-\$237,000, including interest at a rate of 0%. In order for the City to receive the funds from the State of Utah Water Quality Board it was necessary to enter into an agreement requiring a hardship assessment of 1.3% of the annual outstanding balance. The following is a debt schedule over the period of the bonds.

Year	Principal	Hardship Assessment	Total	Interest Rate
2006	\$ 188,000	\$ 52,429	\$ 240,429	0%
2007	191,000	49,985	240,985	0%
2008	193,000	47,502	240,502	0%
2009	196,000	44,993	240,993	0%
2010	199,000	42,445	241,445	0%
2011-2015	1,032,000	172,809	1,204,809	0%
2016-2020	1,101,000	103,948	1,204,948	0%
2021-2024	933,000	30,498	963,498	0%
	<u>\$ 4,033,000</u>	<u>\$ 544,609</u>	<u>\$ 4,577,609</u>	

Transactions affecting long-term obligations are as follows:

	Bonds Payable	Notes Payable	Total
Business-type			
Balance, July 1	\$ 4,220,000	\$ 30,000	\$ 4,250,000
Additions	-	-	-
Retirements	(187,000)	(5,000)	(192,000)
Balance, June 30	<u>\$ 4,033,000</u>	<u>\$ 25,000</u>	<u>\$ 4,058,000</u>
Due within 1 year	<u>\$ 188,000</u>	<u>\$ 5,000</u>	<u>\$ 193,000</u>

**HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 6. SHORT-TERM DEBT

The City had no short-term debt during the year ended June 30, 2005.

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following funds and/or departments had expenditures in excess of budget:

	Actual		Budget		Excess
General Fund:					
Culture, parks and recreation	\$ 494,190	\$	438,175	\$	(56,015)
Capital Project Fund	\$ 516,373	\$	510,019	\$	(6,354)

There were no fund balance/net asset deficits at June 30, 2005.

NOTE 8. CASH AND INVESTMENTS

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City.

Deposits

At June 30, 2005, the carrying amount of the City deposits was \$666,191 and the bank balance was \$1,059,230. Of the bank balance, \$100,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations. At June 30, 2005, the carrying amount of the Hyrum Library and Museum Foundation deposits was \$549,970 and the bank balance was \$549,970. Of the bank balance, \$100,000 was covered by federal depository insurance.

Investments

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 8. CASH AND INVESTMENTS (Continued)

The City's investment types and balances at June 30, 2005, are noted below.

<u>Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Certificates of deposit	Annually	N/A	\$ 3,055,257
Utah Public Treasurer's Investment	N/A	Not rated	2,365,018
Total investments			5,420,275
Deposits-cash in bank			666,191
Deposits-cash in bank-Component Unit			549,970
Total cash and investments			\$ 6,636,436
As reported in the financial statements:			
Cash and cash equivalents-primary			\$ 1,957,649
Cash and cash equivalents-component			549,970
Investments			3,055,257
Restricted cash and cash equivalents			1,054,473
Cash and cash equivalents - Fiduciary Funds			19,087
			\$ 6,636,436

The City does not have a formal investment policy. The City, however, invests the majority of the excess funds in certificates of deposit and the Utah Public Treasurer's Investment Fund (UPTIF). The UPTIF permits the City to withdraw funds one day after giving withdrawal notification.

The custodial risk for investments is the risk that in the event of default or failure of the counterparty, the City will not recover the value of its investment or collateral securities that are in the possession of an outside party. A portion of the City's certificates of deposit are uninsured and uncollateralized investments. The City has no formal policy dealing with custodial credit risk.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of fund shares.

**HYRUM CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 9. RECONCILIATION OF INTERFUND BALANCES

The following table provides a reconciliation of all interfund transfers:

Transfer to:		Transfer from:	
Capital Project Fund	\$ 431,019	General Fund	\$ 431,019
General Fund	115,000	Water Fund	115,000
General Fund	115,000	Electric Fund	115,000
	<u>\$ 661,019</u>		<u>\$ 661,019</u>

The transfer from the General Fund to the Capital Project Fund was to provide funding for construction of highways and streets and the new library and museum.

The transfer from the Water Fund and Electric Fund to the General Fund was for operating capital.

There were no interfund borrowings during the year ended June 30, 2005.

SUPPLEMENTAL INFORMATION

HYRUM CITY CORPORATION
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
JUNE 30, 2005

	Special Revenue Fund <u>Library Fund</u>	Total Nonmajor <u></u>
ASSETS		
Cash and cash equivalents	\$ 3,893	\$ 3,893
Investments	-	-
Receivables (net of allowance for uncollectibles):		
Accounts	-	-
Taxes	-	-
Due from other governments	-	-
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 3,893</u>	 <u>\$ 3,893</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	-
Accrued payroll liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Fund balances		
Unreserved		
Designated		
Library projects	3,888	3,888
Capital projects	-	-
Undesignated	<u>5</u>	<u>5</u>
Total fund balances	<u>3,893</u>	<u>3,893</u>
 Total liabilities and fund balances	 <u>\$ 3,893</u>	 <u>\$ 3,893</u>

HYRUM CITY CORPORATION
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Restaurant	-	-	-	-
Transient room	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	3,700	3,700	3,700	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	-	-	-	-
Contributions and donations	-	-	5	5
Payments in lieu of taxes	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>3,700</u>	<u>3,700</u>	<u>3,705</u>	<u>5</u>
EXPENDITURES				
Current:				
Culture, parks and recreation	<u>3,700</u>	<u>3,700</u>	<u>3,106</u>	<u>594</u>
Total expenditures	<u>3,700</u>	<u>3,700</u>	<u>3,106</u>	<u>594</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>599</u>	<u>599</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Capital leases	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>599</u>	<u>599</u>
Fund balances - beginning	<u>3,294</u>	<u>3,294</u>	<u>3,294</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,294</u>	<u>\$ 3,294</u>	<u>\$ 3,893</u>	<u>\$ 599</u>

HYRUM CITY CORPORATION
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Charges for services	\$ -	\$ 6,000	\$ 6,000	\$ -
Investment earnings	-	-	491	491
Total revenues	-	6,000	6,491	491
EXPENDITURES				
Current:				
Highways and streets	309,000	331,019	329,570	1,449
Culture, parks and recreation	-	179,000	186,184	(7,184)
Senior citizens	-	-	619	(619)
Total expenditures	309,000	510,019	516,373	(6,354)
Excess of revenues over expenditures	(309,000)	(504,019)	(509,882)	(5,863)
OTHER FINANCING SOURCES (USES)				
Transfers in	309,000	431,019	431,019	-
Transfers out	-	-	-	-
Total other financing sources and uses	309,000	431,019	431,019	-
Net change in fund balances	-	(73,000)	(78,863)	(5,863)
Fund balances - beginning	292,039	292,039	292,039	-
Fund balances - ending	\$ 292,039	\$ 219,039	\$ 213,176	(5,863)

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

**HYRUM CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Mayor and Members of the City Council
Hyrum City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of Hyrum City Corporation as of and for the year ended June 30, 2005, which collectively comprise Hyrum City Corporation's basic financial statements and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hyrum City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hyrum City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

This report is intended solely for the information and use of Hyrum City Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Wiggin & Co., PC

Brigham City, Utah 84302
November 10, 2005

**INDEPENDENT AUDITORS' REPORT ON
STATE OF UTAH LEGAL COMPLIANCE**

**To the Mayor and Members of the City Council
Hyrum City Corporation**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of Hyrum City Corporation as of and for the year ended June 30, 2005, which collectively comprise Hyrum City Corporation's basic financial statements and have issued our report thereon dated November 10, 2005. As part of our audit, we have audited Hyrum City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Hyrum City Corporation's financial statements.)

**Emergency Services Grant (State of Utah)
Fire Grant (State of Utah)
Library Grant (State of Utah Library Board)
Sidewalk Grant (Department of Transportation)**

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Courts Compliance
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation & Property Tax Limitations	Other General Issues

The management of Hyrum City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have reported to the management of Hyrum City Corporation in the Schedule of Findings, Recommendations and Responses for the year ended June 30, 2005. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Hyrum City Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Wiggins & Co., PC

Brigham City, Utah
November 10, 2005

**HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005**

STATE LEGAL COMPLIANCE FINDINGS

1. BUDGETARY COMPLIANCE ISSUES

Finding:

Utah Code 10-6 states that no entity shall incur expenditures in excess of the total appropriation for any department or fund. During the audit, we noted that the library department (included in culture, parks and recreation) and the capital projects fund had expenditures in excess of budget.

Recommendation:

We recommend that the City monitor the expenditures during the year to prevent this in future periods.

Response:

The City agrees with this finding. It was a one-time transfer of restricted funds to be used for the construction of a new library and museum. City personnel will more closely monitor budgeted amounts in the future.

2. ROAD IMPACT FEES

Finding:

While auditing road impact fees, we noted that not all of the prior year's balance was spent.

Recommendation:

We recommend that the City formally adopt a plan to correct this. The Plan should include a listing of the projects to be completed and a set deadline for completion.

Response:

The City agrees with this finding and will work on adopting a plan to present to the City Council for approval.

**HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2005**

OTHER FINDINGS

3. JOURNAL ENTRIES

Finding:

While reviewing the journal entries, we noted that assets were transferred from one fund to another in the same entry. Even though the City's software allows this kind of entry, the default is the pooled cash account. This required audit adjusting entries to correct the cash accounts and record the transfers appropriately.

Recommendation:

We recommend that the City prepare journal entries individually, fund by fund.

Response:

The City agrees with this finding and will be more diligent in making journal entries within each fund.

**HYRUM CITY CORPORATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

STATE LEGAL COMPLIANCE FINDINGS

1. BUDGETARY COMPLIANCE ISSUES

Finding:

Utah Code states that no entity shall incur expenditures in excess of the total appropriation for any department or fund. During the audit, we noted that the library trust had expenditures in excess of budget.

Recommendation:

We recommended that the City monitor the expenditures during the year to prevent this in future periods.

Status:

While the Library Fund did not have excess expenditures in 2005, other funds and departments did. See current year findings.

OTHER FINDINGS

2. UTILITY DEPOSITS

Finding:

While reviewing the accounts receivable activity, we noted that that there were more delinquent accounts this year. We also noted that when accounts are terminated at 90 days delinquent, the balances are greater than the required \$100 deposit.

Recommendation:

We recommended that the City consider increasing the utility deposit requirement to an average three month billing (or approximately \$300). The City might also consider re-evaluating their shut-off policy to terminate services after 60 days delinquent.

Status:

The City personnel met with the City Council. No changes were implemented.